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Spain

Exporter Guide

Market Overview

2000

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Report Highlights:
A favorable economic situation, together with a decrease in unemployment are leading to higher consumption and a continuous demand of new products. There are some U.S. food products that have good possibilities in the Spanish market, like treenuts, seafood, sauces and ethnic foods.

Includes PSD changes: No
Includes Trade Matrix: No
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I Market Overview

Spain’s political and economic situation continues to be fairly satisfactory. The Spanish economy during the first half of 2000 has kept the same brisk pace as during 1999. GDP during this period grew by about four percent, which lead the Government to revise Spain’s projected GDP increase for 2000, to four percent and a GDP growth rate of 3.6 percent is expected for 2001. In 1999, the inflation rate was 2.9 percent, nevertheless an inflation rate of 3.7 percent is expected for 2000. The public deficit, estimated at 1.1 percent (of GDP) in 1999, is close to the target (0.4% estimated for 2000 and 0% in 2001) required for Spain’s participation in the EU’s monetary union. Fueling the Spanish economy in recent years were the fiscal and monetary adjustments made, enabling Spain to be among the first group of EU countries accepted in the monetary union, combined with increased consumer and investor confidence, and lower interest rates. More jobs were created, and the decrease in unemployment drove greater consumption. Nevertheless, at slightly below 8.94 percent during the third quarter of 2000, the official unemployment rate in Spain is still one of the highest within the EU. Many analysts dispute this figure, however, as reportedly much part-time and non-contract employment goes unreported. Per capita annual income during the second semester in 2000 is estimated to have been about $14,939.

Rising incomes coupled with a decrease in unemployment, allows more expenditures on basic as well as luxury goods. More quality and new niche market products have more possibilities in the Spanish market.

Food Availability

Spain’s total 1999 food production was valued at 9.17 trillion pesetas, a current value increase of 2.8 percent. Spanish consumers spent 8.8 trillion pesetas, representing an increase of 2.3 percent from 1998. Total grocery sales in 1999 through food distribution chains or groups were 6.57 trillion pesetas, an increase of 10.1 percent from the previous year. About 28 percent of total food expenditures took place through the HRI sector. This sector experienced an increase of 2.3 percent in 1999, and further increases of 2.5 to 3 percent annually are expected.

Spain is the second largest consumer of seafood products in the world. Fish consumption during 1999 was about 40 kilos/per capita, while total consumption amounted to 1.58 million metric tons. There was a decline in consumption due to smaller catches, lower imports, larger exports and lower actual prices for poultry and pork during that period. While consumer preferences are largely determined by price, fresh fish is generally preferred over frozen products. In terms of seafood products consumed, fresh products compose 52 percent of total consumption, followed by frozen fish at 20 percent, and canned seafood products at 13 percent.

According to Spain’s customs statistics, Spain's agricultural imports in 1999 totaled $17.6 billion, representing a slight decrease in comparison with imports of $17.7 billion in 1998. Total agricultural exports amounted to about $17.2 billion, representing about a three percent decrease from 1998.

Demographics and Consumption

Spain’s population is about 39.8 million people. In the next few years, little increase is expected, as annual population growth is nearly zero. By the year 2005, it is estimated that 20 percent of the population will be over 65 years old, and the normal family will be comprised of at most four people, with two members of the family working. Many households will be comprised of only one person. Purchasing power will be higher, and the time available to buy and prepare foods will be reduced. Consequently, consumption habits are also expected to change. There is already a clear tendency to higher consumption of prepared foods, diet products, low cholesterol, low fat, and higher fiber content. The so called “Mediterranean diet” plays, and will continue to play, an important role, being considered healthy due to the diversity of food products.

More congested metropolitan areas, and an increasing number of women in the work force have altered the traditional habit of daily trips to the market, while the traditional extended mid-afternoon lunch (the principal meal for most Spanish families) is becoming less common. About 69 percent of the Spanish population lives in cities, while the balance live in rural areas. Fitting meal time into an increasingly busy day is becoming a priority. As a result, the demand for all types of prepared, processed, and frozen foods is growing. Another important factor is the one-person (13 percent) and two-person (22 percent) household, which tend to spend more on a per-capita basis for food purchases. Consumption patterns are also highly dependent on geographical area. For instance, the highest meat consumption occurs in Castilla Leon (Center), while the Canary Islands has the lowest meat consumption.

Virtually all of Spain’s household have refrigerators, and use of microwave ovens has increased rapidly in the last decade, being present in 65 percent of homes. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products.

- Profile of Spain

Population: 39.8 Million

- Male: 49% - Female: 51%

Age	**Percentage**
0 - 24	30.8 %
25 - 39	24.0 %
40 - 49	12.9 %
50 - 64	15.9 %
65 +	16.4 %

Advantages and Challenges for U.S. Suppliers to the Spanish Market

Advantages	Challenges
There are some niche markets	High promotion costs to introduce new products
High quality of U.S. products	Competition with similar food products produced in other EU countries with no import duties
Consumer demand for new products	High shipping costs from the United States
Increasing demand for processed foods	Need to promote the wholesomeness of U.S. products
Increase of imports of U.S.seafood and consumer-oriented foods	Reluctancy to products containing genetically modified ingredients
U.S. products have attractive packaging	U.S. consumer-oriented products have to comply with EU labeling and packaging
Modern food distribution system	Important to find an importer/distributor
	High U.S Dollar compared to Euro

II. Exporter Business Tips

Local Business Customs

As a consequence of the growth of the Spanish economy, distribution has become a key factor in supplying the consumer market. Various sales channels to consumers have developed during the last 30 years, ranging from traditional distribution methods, in which wholesalers sell to traditional shops which sell to the public, to more sophisticated methods, characterized by an increased presence of large multinational supermarkets, retail-stores and central purchasing units.

Due to increasing concentration of the food retail sector, food distribution chains are more powerful, and are tougher when negotiating with manufacturers and suppliers. Cost financing terms and after-sales services play are important when negotiating with these companies.

European exporters provide generous financing and extensive cooperative advertising and most member state governments support exporting efforts with promotional activities. Spanish procedures are the same as in other Western European countries, where price is an important factor.

The Spanish market is a series of regional markets, with Madrid and Barcelona as the main markets, and where the majority of agents, distributors, importers and government-controlled entities are located. The key for a U.S. exporter would be to appoint an agent or distributor or to establish a subsidiary. The representative in Spain would be more aware of the different consumption attitudes and preference in each of the 17 different Spanish autonomous regions.

General Consumer Tastes and Preferences

In general Spanish consumers have conservative tastes based on the cuisine of each geographical area, which is influenced by the weather. The traditional Spanish diet is the so called "Mediterranean Diet" which is based on seafood, salads, vegetables, fruits, olive oil and wine. Nevertheless, due to the change of habits, consumption of prepared and ready to eat products are increasing every year. Although it might seem a contradiction, consumers are also demanding more natural products, and consumption of organic food products is growing, but the percentage is still low.

Low calorie, sugarless, low cholesterol, low sodium products are more popular and demand is increasing.

In Spain total food expenditure per capita during 1999 was 158,744 pesetas ($1,015), a 1.6 percent increase from the previous year.

Increasing travel by the Spanish to other countries together with an always growing flow of tourists, is increasing the demand for new products and the interest for ethnic foods and restaurants.

Spanish consumers are very sensitive about food safety issues, any food problem is widely publicized, and measures are taken immediately.

Food Standards and Regulations

In reference to above subject, see FAIRS Report #SP0032. All food products imported into Spain must comply with EU regulations.

General Import and Inspection Procedures

See FAIRS Report #SP0032, Section H. Import Procedure.

INCOTERMS 2000

When making an international transaction it is important that buyer and seller define their respective responsibilities, thus eliminating any possibility of misunderstanding and possible dispute. Each term indicates where the responsibilities of the seller end and where those of the buyer begin. In 1936, the International Chamber of Commerce (ICC) published the first set of rules and have been updated several times, to adapt them to the more current commercial practices. "Incoterms 2000" has replaced "Incoterms 1990", and has been applied since January 1, 2000.

There are minor but important differences from the previous Incoterms. The main changes have taken place in the customs clearance and payment of duty obligations under FAS and DEQ, and in the loading and unloading obligations under FCA.

Departure
EXW - Ex Works (... named place)

Main carriage unpaid
FCA - Free Carrier (...named place)
FAS - Free Alongside Ship (...named place)
FOB - Free on Board (...named port of shipment)

Main carriage paid
CFR - Cost and Freight (... named port of destination)
CIF - Cost, Insurance and Freight (... named port of destination)
CPT - Carriage Paid To... (... named place of destination)
CIP - Carriage & Insurance Paid To... (... named place of destination)

Arrival
DAF - Delivered at Frontier (... named place)
DES - Delivered ex Ship (... named port of destination)
DEQ - Delivered Ex Quay (... named port of destination)
DDU - Delivered Duty Unpaid (... named place of destination)
DDP - Delivered Duty Paid (... named place of destination)

If a dispute arises the case can be taken to an arbitration center.

III. Market Structure and Trends

Food Processing

Total food production in 1999 was valued at 9.17 trillion pesetas, 2.8 percent above the previous year. Food production represents 20 percent of total industrial production.

Total food expenditures in 1999 were 8.8 trillion pesetas, this is an increase of 2.4 percent from the previous year. The highest percentage of purchases were for meat products (22%), followed by seafood products (13%), bread and pasta (8.6%), fruits (9.1%), milk, cheese, butter (12.9%), potatoes and vegetables (10.6%), vegetable oils and edible fats (3.3%), alcoholic beverages, including beer (4.2%) and non-alcoholic beverages (2.7%).

In-home consumption expenses in 1999, represented 72 percent of total Spanish food purchases, while 26 percent was spent in hotels/restaurants, and two percent in institutional facilities.

U.S. exports of consumer oriented products to Spain were $139 million in 1999. With sales of $106 million treenuts was the main product. Exports of seafood products reached $59 million, an increase of 18 percent in comparison with the previous year; a further increase is expected for 2000.

Food Retail

The food retailing and distribution system in Spain is dominated by an increasing number of supermarkets, hypermarkets and self-service stores. Expansion of hypermarkets has slowed to a fraction of the pace of growth during the previous decade, while supermarkets numbers continue to grow. Meanwhile, the traditional small neighborhood outlets are rapidly disappearing from the food distribution system. The majority of hypermarkets have been opened by French operators in conjunction with Spanish partners or through subsidiaries. According to Ministry of Agriculture statistics, share of total food sales in 1999, by type of product is as follows: Fresh products: Hypermarkets, 9 percent; Supermarkets, 27.4 percent; Traditional Grocery Stores, 47.8 percent; Other, 15.8 percent. Dry products: Hypermarkets, 25.3 percent; Supermarkets, 52.5 percent; Traditional Grocery Stores, 14.7 percent; Other, 7.2 percent.

Consumers prefer to purchase meat and fresh seafood products in traditional outlets, which specialize in either product. These two products alone account for 37.9 percent of total food purchases. Although supermarkets and hypermarkets have been steadily increasing their share of fresh products sales.

Hotels, Restaurants and Institutions - HRI

Spain's HRI sector absorbs about 28 percent of the total food consumed in Spain, with about 2.4 trillion pesetas ($15.4 billion), of which 2.3 trillion pesetas are consumed in hotels and restaurants and 0.17 trillion pesetas in institutions. This sector experienced an increase of 2.3 percent in 1999, and further annual increases of 2.5 to 3 percent are expected.

The Spanish HRI sector is very complex and diverse. The food service is divided into commercial (with an estimated of 14,594 hotels, 60,582 restaurants, 12,787 cafeterias and 229,215 bars) and social food service, with about 800 catering companies (company cafeteria/restaurant, schools, universities, hospitals, prisons, the army). There is an average of one outlet per 180 people. Further growth of this sector is expected, as there are more people eating out of their homes and more tourists are visiting Spain. There are also about 200,000 vending machines in Spain, with a volume of sales in 1998 of 270,000 million pesetas. This sub-sector is also experiencing significant growth. In 1990, there were only 77,000 vending machines.

There are several food manufactures and importers that have product lines specially designed for this sector. Most of the HRI sector's buyers are small companies who buy from the local market or supermarket for their daily shopping. Institutions, food chains (usually fast food) and vending machines have more organized purchasing channels, thus being more competitive.

Various companies in the food distribution sector have outlets designed specifically to supply the HRI sector; MAKRO is the largest cash & carry group, followed by GRUPO UNIGRO, COOP. COVIRAN, PUNTOCASH, ALIMENTACION PENINSULAR, GRUPO ENACO, SUPERDIPLO, and others. Also, some distribution companies for this sector are located in specific areas where the tourist demand is higher, like MERCATEL and DAVIGEL in the Balearic Islands, and GRUP SEHRS in Costa Brava (North Eastern coast). Food companies supplying the HRI sector are diverse and must be able to serve small customers with different needs. Beverage distributors are very specialized as most of the beverages consumption takes place in bars, cafeterias and restaurants.

Industry Concentration

Just before Spain joined the EU, many multinational companies started buying Spanish food companies as a way to be present in this market. This is still taking place in many sectors, including food distribution. This concentration of industries and distribution groups makes them more powerful and more difficult for the individual exporter to deal with them.

Promotional and Marketing Strategies

New to the market products need to be promoted and consumers have to be educated about the use of such products. It is advisable to be in contact with an importer/distributor who can also do the marketing of the product. TV advertising is very expensive in Spain but there are other media that can carry the message. Most supermarket and hypermarket chains have biweekly flyers that are widely distributed in their respective areas of influence. In-store promotions are also a good way to promote a product.

Tourism

One of the most notable features of the Spanish market is the importance of the tourist industry to the national economy. With a resident population of 39.8 million, Spain attracted 72.3 million visitors*, of which 47 million were tourists* in 1999, achieving a record as one of the world's leaders in tourism, after the United States and before of France. Another increase in the number of tourists is expected during 2000. During the first 6 month, of 2000 the number of tourist increased by 5.7 percent, while the number of visitors increased by 3.9 percent.

The Mediterranean beach areas and the Balearic Islands are the most popular tourist resorts, and the Canary Islands is an especially attractive winter tourist region. Most tourists come from northern Europe, with a very high percentage from Germany, the United Kingdom and France, many of whom still prefer to adhere to their usual dining and drinking habits while enjoying their vacations in Spain.

These demographics have resulted in a significant increase in demand for high-value and consumer ready products from restaurants and institutions such as hotels during the summer months. On the other hand, the strong seasonal trend in tourism creates a sharp decline in retail grocery sales towards the end of the summer months, until demand again picks up during the Christmas season.

* Note: Tourist is the person who stays in a country for one or more nights
Visitor is the person who enters a country but doesn’t stay overnight

Internet Sales

The main food distribution companies have web pages through which it is possible to shop on-line. It is a sector that is still at its early stage in Spain.

IV Best High-Value Product Prospects

The main consumer food/edible fishery products which offer outstanding U.S. export opportunities are as follows:

- Walnuts
- Almonds
- Pistachios
- Peanuts
- Fruit & Vegetables Juices
- Bourbon
- Pet Foods
- Lobster
- Squid
- Whiting
- Surimi
- Sauces
- Ethnic foods
- Snacks

V. Key Contacts for Further Information

American Embassy - Madrid
Agriculture Section (Box 20)
Serrano, 75
28006 Madrid

Phone: 34 91 564 5275
Fax: 34 91 564 9644
e-mail: agmadrid@fas.usda.gov
http://www.embusa.es

Ministerio de Agricultura, Pesca y Alimentación
(Spanish Department of Agriculture)
Paseo de la Infanta Isabel, 1
28014 Madrid

Phone: 34 91 347 5000
Fax: 34 91

http://www.mapya.es

Ministerio de Economía y Hacienda
(Department of Economy)
Paseo de la Castellana, 162
28071 Madrid

Tel: 34 91 583 7400
Fax: 34 91

http://www.meh.es

Instituto Nacional de Estadistica
(Statistics)
Pº Castellana, 183
28071 Madrid

Tel: 91 583 91 00

e-mail: info@ine.es
http://www.ine.es

Ministerio de Sanidad y Consumo
(Department of Health and Consumption)
Paseo del Prado, 18
28071 Madrid

http://www.msc.es

MERCAMADRID
(Madrid wholesale market)
Ctra. Villaverde-Vallecas, km.3,800
28053 MADRID

Tel: 34 91 785 5013

e-mail: mercamadrid@ibm.net
http://www.mercamadrid.es

Federacion de Industrias de Alimentacion y Bebidas (FIAB)
(Food and beverages industries federation)
Diego de Leon, 44
28006 Madrid

e-mail: fiab@fiab.es
http://www.fiab

Ministerio de Medio Ambiente
(Department of Environment)
Plaza de San Juan de la Cruz, s/n
28003 Madrid

Tel: 34 91 597 6000

http://www.mma.es

Banco de España
(Bank of Spain)
Alcalá, 50
28014 Madrid

http://www.bde.es

Appendix I - Statistics

A. Key Trade & Demographic Information

	Year	Value
Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%)	1999	17,653 / 7.%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	1998	11,810 / 11%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%)	1998	3,516 / 2%
Total Population (Millions) / Annual Growth Rate (%)	1999	39.8 / 0.35%
Urban Population (Millions) / Annual Growth Rate (%)	1999	29.5 / 0.2%
Number of Major Metropolitan Areas	1999	4
Size of the Middle Class (Millions) / Growth Rate (%)	1999	15.8 / n/a
Per Capita Gross Domestic Product (U.S. Dollars)	1999	$14,939
Unemployment Rate (%)	2000	8.94%
Per Capita Food Expenditures (U.S. Dollars)	1999	$1,015
Percent of Female Population Employed	1999	36.3%
Exchange Rate (US$1 = 198 pesetas)	10/00	198 pts.

Appendix B - Spain Imports

Spain Imports (In Millions of Dollars)	Imports from the World 1997	1998	1999	Imports from the U.S. 1997	1998	1999	U.S Market Share 1997	1998	1999
CONSUMER-ORIENTED AGRICULTURAL TOTAL	5,053	5,274	NA	151	171	NA	3	3	0
Snack Foods (Excl. Nuts)	336	338	NA	1	1	NA	0	0	0
Breakfast Cereals & Pancake Mix	33	41	NA	1	1	NA	0	0	0
Red Meats, Fresh/Chilled/Frozen	502	516	NA	2	1	NA	0	0	0
Red Meats, Prepared/Preserved	121	117	NA	1	1	NA	0	0	0
Poultry Meat	164	158	NA	3	0	NA	2	0	0
Dairy Products (Excl. Cheese)	618	637	NA	1	1	NA	0	0	0
Cheese	376	386	NA	1	1	NA	0	0	0
Eggs & Products	24	27	NA	1	1	NA	3	5	0
Fresh Fruit	430	417	NA	1	1	NA	0	0	0
Fresh Vegetables	144	230	NA	2	3	NA	1	1	0
Processed Fruit & Vegetables	519	530	NA	13	12	NA	2	2	0
Fruit & Vegetable Juices	92	108	NA	2	2	NA	3	1	0
Tree Nuts	193	198	NA	97	113	NA	50	57	0
Wine & Beer	183	222	NA	2	1	NA	1	0	0
Nursery Products & Cut Flowers	114	123	NA	2	2	NA	1	2	0
Pet Foods (Dog & Cat Food)	106	111	NA	18	26	NA	17	24	0
Other Consumer-Oriented Products	1,095	1,114	NA	9	9	NA	1	1	0
FISH & SEAFOOD PRODUCTS	3,160	3,516	NA	66	78	NA	2	2	0
Salmon	95	98	NA	5	3	NA	5	3	0
Surimi	35	37	NA	2	4	NA	7	12	0
Crustaceans	802	957	NA	12	18	NA	2	2	0
Groundfish & Flatfish	701	790	NA	9	9	NA	1	1	0
Molluscs	642	653	NA	23	8	NA	4	1	0
Other Fishery Products	885	981	NA	15	35	NA	2	4	0
AGRICULTURAL PRODUCTS TOTAL	11,760	11,806	NA	1,354	1,331	NA	12	11	0
AGRICULTURAL, FISH & FORESTRY TOTAL	16,299	16,871	NA	1,642	1,644	NA	10	10	0

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Appendix C - Spain Top 15 Suppliers

Spain - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($1,000)	1997	1998	1999
France	1,264,834	1,176,111	0
Netherlands	664,638	696,550	0
Germany	509,799	561,596	0
Ireland	249,618	376,046	0
Italy	303,516	348,439	0
United Kingdom	240,057	259,404	0
Belgium-Luxembour	230,525	255,256	0
Portugal	194,356	233,127	0
Denmark	203,793	208,832	0
United States	150,953	170,989	0
Brazil	85,287	89,923	0
Thailand	95,971	88,314	0
Costa Rica	72,618	70,073	0
Chile	47,825	58,041	0
Turkey	51,927	55,102	0
Other	687,254	626,511	0
World	5,053,017	5,274,324	0

FISH & SEAFOOD PRODUCTS IMPORTS

($1,000)	1997	1998	1999
France	297,551	294,843	NA
Argentina	220,943	289,614	NA
S.Afr.Cus.Un	203,262	275,303	NA
United Kingdom	245,299	228,435	NA
Morocco	207,686	215,362	NA
Netherlands	117,675	149,717	NA
Ecuador	126,759	137,691	NA
Denmark	128,059	137,378	NA
China (Peoples Rep	81,569	123,407	NA
Portugal	146,898	120,784	NA
Italy	125,808	108,160	NA
Chile	85,056	88,769	NA
Korea, Republic of	46,746	79,829	NA
United States	65,712	77,617	NA
Falkland Islands (Isla	44,437	76,291	NA
Other	1,016,526	1,112,493	0
World	3,160,000	3,515,691	0

Source: United Nations Statistics Division